

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 )  
Auction of Advanced Wireless Services ) AU Docket No. 06-30  
Scheduled for June 29, 2006 )

To: The Wireless Telecommunications Bureau

**REPLY COMMENTS OF CINGULAR WIRELESS LLC**

Cingular Wireless LLC (“Cingular”) hereby submits comments in reply to the comments submitted in the above-referenced proceeding in response to the Wireless Telecommunications Bureau’s (“Bureau’s”) January 31, 2006 Public Notice.<sup>1</sup> As discussed below, the overwhelming weight of the comments supports the two main arguments made in Cingular’s comments: (1) that the Commission should not incorporate a package bidding auction design (“SMR-PB”) into Auction 66, particularly if SMR-PB were to be conducted simultaneously with an auction using the simultaneous, multiple round (“SMR”) auction design; and (2) the Commission should not limit in Auction 66 the amount of information concerning bidder identities and the actual bids that it typically releases before and during the auction. In addition, Cingular agrees with the comment by Verizon Wireless that the Commission should set the required reserve price for Auction 66 at \$1.03 billion, not \$2.06 billion.

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<sup>1</sup> *Auction of Advanced Wireless Services Licenses Scheduled for June 29, 2006*, Public Notice, DA-06-238 (released January 31, 2006) (“*Public Notice*”).

**I. The Record Supports Using the Simultaneous, Multiple Round Auction Design for Auction 66.**

Commenters responding to the *Public Notice* have overwhelmingly supported the Commission's proposal to employ in Auction 66 only the SMR auction design that the Commission has successfully used in scores of other spectrum auctions, leaving for another auction a trial of the SMR-PB design. Proponents of the SMR-only approach to Auction 66 include carriers of all sizes,<sup>2</sup> as well as investors<sup>3</sup> and auction academicians.<sup>4</sup> This widespread support should lead the Bureau to adopt its proposal to conduct Auction 66 using the standard SMR auction format.

Numerous commenters have noted the significant complexities that would accompany package bidding and have expressed concerns that insufficient time exists before Auction 66 for prospective bidders to develop the tools necessary for them to adequately analyze an SMR-PB auction.<sup>5</sup> Cingular urges the Bureau to heed these warnings and adhere to its single SMR auction proposal.

In the event that the Commission decides to employ an SMR-PB component for some of the licenses in Auction 66, Cingular agrees with Professors Milgrom and Rosston that the SMR-PB auction should be completed before the SMR auction begins.<sup>6</sup> For the reasons cited by Cingular in its comments and echoed by Professors Milgrom and

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<sup>2</sup> See, e.g., Comments of Cingular Wireless; Sprint Nextel; T-Mobile; Alltel; Centennial; US Cellular; Leap Wireless; MetroPCS; NTCH, Inc. dba Clear Talk; Wirefree Partners III; NTCA; and RTG.

<sup>3</sup> See Joint Comments of Columbia Capital LLC and MC Venture Partners.

<sup>4</sup> See Comments of Paul R. Milgrom and Gregory L. Rosston.

<sup>5</sup> See, e.g., Comments of Alltel (at 2); MetroPCS (at 6-8); NTCA (at 3); and T-Mobile USA, Inc. (at 4-5).

<sup>6</sup> Comments of Paul R. Milgrom and Gregory L. Rosston at 2.

Rosston, running simultaneous SMR and SMR-PB auctions would involve intolerable complications for bidders in making round-to-round decisions and would risk inefficient auction results.

**II. The Commenters Overwhelmingly Oppose the FCC’s Proposal to Conceal Most Bidder Information Before and During the Auction.**

The Commission’s proposal to reverse its longstanding policy with respect to the disclosure of bids and bidder information was soundly rejected by commenters in this proceeding. The proposal was based on concerns that informational transparency could tend to facilitate collusive behavior by bidders. Cingular agrees with Professor Peter Cramton, who observed that “given the protections the FCC has already implemented – the elimination of bid signaling and the limits on the use of withdrawals – I believe the FCC should favor full transparency in the AWS auction, which promises to be a competitive auction.”<sup>7</sup>

The Commission has long standing rules in place that prohibit collusion, and it has enforced those rules when necessary. While the incidence of bidder collusion is quite rare, the record amply demonstrates that disseminating bidder information equally and simultaneously to all bidders “provides useful information on the value of licenses to bidders and will promote rational bidding and can result in higher auction revenues.”<sup>8</sup>

Except for some auction academicians, only one commenter (Verizon Wireless) expressed any support whatsoever for the Commission’s proposal to withhold key elements of bidding information. Verizon Wireless’s support, however, was conditioned on the Commission releasing information needed to allow applicants to comply with the

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<sup>7</sup> Comments of T-Mobile (Cramton Declaration at 5).

<sup>8</sup> Comments of T-Mobile at 4.

FCC's anti-collusion rules, and making clear that certain types of non-bidder-specific information would be disclosed during the course of the auction. Verizon Wireless says that it "supports the concept of limiting bidder information, but only if certain key information is available and aggregate auction data is released to the bidders after each round."<sup>9</sup> If the Commission adopts its proposal with respect to bidder information (*i.e.*, that the only information to be released during the course of the auction is the gross, not the net, amount of any provisionally winning bids), even Verizon Wireless's support for the proposal would presumably evaporate.

In any event, the academic community is neither strongly nor uniformly in support of the Commission's proposal to eliminate transparency from Auction 66. Professor Cramton, who has studied the FCC's auctions extensively, noted that "[b]idders are uncertain about build-out costs, penetration rates, prices, and market shares. The information revealed in an open auction can help bidders learn about these values."<sup>10</sup> Even academics who supported restricting auction information recognize that such an approach comes at some cost. As Professors Brusco and Lopomo acknowledge, "in the presence of significant uncertainty about the technology and thus the actual market value of the licenses for sale, releasing information about the behavior of others can help bidders to better assess the value of different combinations of licenses, and thus lead to a more efficient outcome."<sup>11</sup>

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<sup>9</sup> Comments of Verizon Wireless at 6 (emphasis added).

<sup>10</sup> Comments of T-Mobile USA, Inc. (Cramton Declaration at 3).

<sup>11</sup> Comments of Professors Sandro Brusco and Giuseppe (Pino) Loposmo at 2.

The wireless industry continues to witness constantly changing technologies and participants. In such an environment, an efficient auction result in Auction 66 – both in terms of the conduct of the auction itself and the subsequent deployment of licenses for the benefit of consumers - will be best achieved if each bidder has complete information about the marketplace in its entirety. The record developed thus far in response to the *Public Notice* is clear that the Commission should not alter the tried-and-true and well established information disclosure policies that it has successfully used in past auctions.

**III. Cingular Agrees that the Required Reserve Price for Auction 66 Should Be \$1,029,534,343.20, Not Twice That Amount.**

The Commission was wrong to propose that only one-half of each net winning bid would be counted toward meeting the reserve price.<sup>12</sup> As correctly pointed out by Verizon Wireless, the Commercial Spectrum Enhancement Act of 2004 (“CSEA”), which requires the setting of a reserve price for Auction 66, does not mandate any particular approach for apportioning bids between 1710-1755 MHz (the “eligible frequencies” for CSEA purposes) and 2110-2155 MHz; nor does it require that any particular amount be generated by the auction of the 2110-2155 MHz band.<sup>13</sup> CSEA requires only that the auction generate 110 percent of the estimate produced by the National Telecommunications and Information Administration (“NTIA”) for relocating incumbent federal systems in the 1.7 GHz band.

The NTIA estimate produces a reserve price of \$1,029,534,343.20. There is no need for the Commission to impose an effective reserve price of twice that amount, and doing so could lead to the unjustifiable result of requiring the Commission to cancel

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<sup>12</sup> See *Public Notice* at 14.

<sup>13</sup> See Comments of Verizon Wireless at 7-10.

Auction 66 despite its having generated revenues above the 110 percent threshold. The Commission should clarify that the reserve price for Auction 66 is \$1,029,534,343.20.

**IV. Conclusion.**

Comments submitted in response to the Commission's *Public Notice* have built a substantial record for the Commission to decide the principal issues concerning the procedures to be employed for Auction 66. The overwhelming weight of the comments supports the exclusive use of the SMR auction design for this auction and the release of the same degree of bidder information as the Commission has typically released in past auctions. Commenters who may be bidders in Auction 66 have uniformly rejected the idea that concealing crucial bid and bidder information both before and during the auction will better serve the public interest. As Cingular pointed out in its comments in this proceeding, the Commission would be wise in these two areas to utilize procedures in Auction 66 which have been proven to work and in which bidders have confidence. Cingular also agrees with Verizon Wireless that the CSEA requires only that the auction in total raise \$1.029 billion in order to avoid cancellation.

Respectfully submitted,

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February 28, 2006